



DISTRICT OF COLUMBIA  
OFFICE OF THE STATE SUPERINTENDENT OF

**EDUCATION**

## **PUBLIC CHARTER SCHOOL CREDIT ENHANCEMENT COMMITTEE**

Please find below the notes from the Public Charter School Credit Enhancement Committee (“Committee”) meeting held on **Sept. 16, 2021**.

### **PUBLIC MEETING NOTES:**

#### **Call To Order:**

1. By Michael Musante at 12:34 p.m.
2. Michael Musante reminded the Committee members of the conflict of interest policy and asked if everyone had completed the form and if there were any recusals. There were no recusals.

#### **Committee Members Present: (appearing via telephone):**

1. Michael Musante, Chairperson
2. Mark Medema
3. Stefan Huh

\*Committee Members Sara Batterton and Yair Inspektor were not present.

**Note:** Quorum was present.

#### **Staff Members Present: (appearing via telephone):**

1. Brianna Griffin, Manager, Office of Public Charter School Financing & Support (“OPCSFS”)
2. Linda Sun, Director, OPCSFS & Federal Programs and Strategic Funding
3. Darryl Brantley, Financial Program Specialist, OPCSFS
4. Nagesh V. Tammara, Senior Assistant General Counsel, Office of the General Counsel

#### **Guests (Public Meeting Attendees Only all via telephone):**

1. Ornella Napolitano, Chief Financial Officer, Charter School Incubator Initiative
2. Anne Robinson, Acting Executive Director, Charter School Incubator Initiative

#### **Approval of Sept. 16, 2021 Committee Meeting Agenda:**

1. Michael Musante requested a motion to approve the meeting agenda.
2. Mark Medema made a motion to approve the meeting agenda.
3. Stefan Huh seconded the motion to approve the meeting agenda.
4. All said Aye.
5. Agenda approved by unanimous vote.

#### **Approval of July 15, 2021 Committee Meeting Minutes**

1. Michael Musante inquired as to whether there were any changes to the public meeting minutes from July 15, 2021, and hearing none, requested a motion to approve said meeting minutes.
2. Mark Medema made a motion to approve the July 15, 2021 meeting minutes.
3. Stefan Huh seconded the motion.
4. All said Aye.
5. The July 15, 2021 meeting minutes were approved by unanimous vote.

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### Transactions Disclosure Checklist (Conflict of Interest Policy)

As set forth in Attachment C (Transaction Disclosure Checklist) of the Office of Public Charter School Financing and Support - Conflict of Interest Policy (Policy), Michael Musante, Chair inquired of the Committee membership the following as it relates to the transactions presented (i.e., **Charter School Incubator Initiative –(PR Harris)** to the Committee for approval:

Do you or a person closely affiliated (as defined by the Policy) to you have any of the following relationships with any of the financially interested entities involved in this transaction? The respective questions and responses are captured in the table below with the noted exceptions.

<b>N = No</b> <b>Y = Yes</b>	<b>Financially Interested Entities (FIEs)</b>			
	<b>The public charter school(s) seeking financing from the Committee</b>		<b>Any other financially interested entity involved in the transaction</b>	
	<b>Current</b>	<b>Prior (past 5 years)</b>	<b>Current</b>	<b>Prior (past 5 years)</b>
<b>Serve as a board member, officer, or employee?</b>	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N
<b>Receive compensation for serving as a board member?</b>	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N
<b>Receive compensation for a position (officer or employee)?</b>	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N
<b>Any contractual relationship (individual or through an employment or subcontractual relationship)?</b>	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N
<b>Perform consulting or other services?</b>	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N
<b>Own shares of stock, stock options, partnership interest, or other ownership interest?</b>	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N
<b>Employed by an organization on whose board of directors an individual involved in the transaction sits?</b>	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N

<b>Registered as a lobbyist on behalf of the interests?</b>	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N
	<b>Financially Interested Entities (FIEs)</b>			
	<b>The public charter school(s) seeking financing from the Committee</b>		<b>Any other financially interested entity involved in the transaction</b>	
	<b>Current</b>	<b>Prior (past 5 years)</b>	<b>Current</b>	<b>Prior (past 5 years)</b>
<b>Parent of a child attending?</b>	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N
<b>Volunteer(ed) at or with?</b>	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N
<b>Any other information to disclose?</b>	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N	Medema – N Musante – N Huh – N

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## PRESENTATION OF TRANSACTION

### A. CHARTER SCHOOL INCUBATOR INITIATIVE (CSII) – REQUEST FOR RENEWAL AND EXTENSION OF AN EXISTING \$1,312,500 DIRECT LOAN AND A \$1,710,000 (FUNDED) CREDIT ENHANCEMENT FOR THE PR HARRIS BUILDING AND REQUEST FOR AN INTEREST RATE REDUCTION.

#### 1. Darryl Brantley introduced CSII's request to obtain an extension on an existing Direct Loan in the amount of \$1,312,500, a funded Credit Enhancement of \$1,710,000 for 24 months and an interest rate reduction from 4.5% to 1.0% per annum for the PR Harris Building:

- a. CSII has requested an extension of an existing \$1,312,500 Direct Loan and an existing funded Credit Enhancement \$1,710,000.00 (funded out of the federal Charter School Programs Grant) for 24 months and an interest rate reduction from 4.5 percent to 1.0 percent per annum. The current terms on both facilities mature on Oct. 21. All other terms and conditions will remain unchanged.
- b. The purpose of the extension to align with the renewal of the existing City First Bank loan. The original purpose of the loan was to provide financing for renovation of the PR Harris school building for occupancy by Ingenuity Prep PCS and Statesman Academy PCS.
- c. The direct loan would be for an additional two-year term carrying an interest rate of 1 percent per annum and shall be co-terminus with the City First Bank loan. All other terms and conditions will remain unchanged.
- d. The funded credit enhancement will stay in place for an additional 24 months. All other terms and conditions will remain unchanged.
- e. Anne Robinson, general counsel, has taken over as acting executive director with the resignation of Eric Rogers.
- f. The risks identified include the quality of financial reporting, liquidity, securing long term leases, overall exit strategy as well as economic risks regarding COVID-19 and enrollment.
- g. The strengths identified include experienced charter school leaders with strong boards of directors along with CSII historically meeting its debt service obligations with OSSE.

#### 2. Discussion:

- a. Ornella Napolitano, CFO, CSII, gave an overview and background as to why the extension is necessary.
  - i. CSII has assumed the cost of operations and maintenance of the building with the two school tenants since University of the District of Columbia exited the premises.
  - ii. The CSII is currently working with the DC Department of General Services to transfer ownership/lease to CSII.
  - iii. Ornella Napolitano is confident that the transfer will happen in the near term.
  - iv. The ability to secure an exit strategy for the direct loan has been hampered by their ability to obtain a lease from the DC Department of General Services, which has in turn hampered CSII's ability to obtain financing to pay off OSSE.
  - v. The 24-month extension will give the incubator the time needed to put together a financing exit plan.
  - vi. The DC National Guard is interested in becoming a tenant in the building to utilize the remaining empty space.
  - vii. Ornella Napolitano also asked that the Committee extend the loan and credit enhancement to align with the City First Bank loan.

- b. Mark Medema suggested that Ornella Napolitano keep the OSSE staff updated on a quarterly basis on any developments.
- c. Stefan Huh suggested that the update should include CSII monitoring the tenant schools and their financial health and status of audit reports.
- d. Nagesh Tammara clarified that OSSE is still required to monitor and report on the CSP funds through 2029 and that OSSE is not receiving any new federal funds at this time.
- e. Nagesh Tammara inquired as to whether the amounts credit enhancement funds securing this loan is more than it should be.

Ornella Napolitano, CFO, CSII, indicated that there should be a burn-off but the documents don't indicate such. She indicated that she would look into the matter and get back to OSSE.

### **3. Transaction APPROVAL**

- a. Michael Musante asked for a motion to approve the request of a refinance and extension of a \$1,312,500 Direct Loan and a \$1,710,000 Credit Enhancement to Charter School Incubator Initiative for an additional 24 months and/or be co-terminus with the City First Bank loan renewal. The motion also included a request to reduce the interest rate from 4.5 percent to 1.0 percent per annum.
- b. Mark Medema made a motion to approve the transaction.
- c. Stefan Huh seconded the motion.
- d. All said Aye.
- e. The motion carried and the transaction was unanimously approved.

### **B. OTHER BUSINESS**

Brianna Griffin indicated to the Committee that starting with the October 2021 Credit Enhancement meeting that there will be a slight change to the format in order to comply with the open meeting requirements to have a public meeting to vote and then enter into executive session and then return back to the public meeting. In addition, she mentioned that OSSE would also present a fiscal year in review/overall review of the program presentation to the committee and going forward to have a quarterly update.

Nagesh Tammara mentioned that some of these changes are as a result of some new guidance coming out of the office of open government that enforces the Open Meetings Act.

### **C. ADJOURNMENT:**

- a. Michael Musante inquired as to whether there was any further business, and hearing none, requested a motion to adjourn the Committee meeting.
- b. Stefan Huh made a motion to adjourn.
- c. Mark Medema seconded the motion.
- d. All said Aye.
- e. The meeting adjourned at approximately 1:03 pm.